

# 2010 ANNUAL REPORT

ALABAMA  
DEPARTMENT OF FINANCE  
DIVISION OF RISK MANAGEMENT





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**STATE OF ALABAMA**  
**Department of Finance**  
**Division of Risk Management**

**Comprehensive Annual Report**  
**For the Fiscal Year Ended September 30, 2010**



**Bob Riley**  
Governor

**Bill Newton**  
Acting Director of Finance

**Ben M. Spillers**  
Risk Manager



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## MESSAGE FROM THE RISK MANAGER

The 2010 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2010. An important part of DORM's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.
- **The Alabama Equipment Maintenance Program (EMP)** allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program.

The 2010 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the Division is that we are a service organization whose objective is to best meet the needs of our client state agencies. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2011.

Ben M. Spillers  
Risk Manager





## STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on State-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase Excess Insurance to protect the State from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest premiums collected to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered replacement cost value coverage for qualified buildings and contents. This valuable coverage provides replacement cost up to 115% of scheduled value in the event of a total loss. Other valuable coverages are Extra Expense, Electronic Data Processing, Builders Risk, Transit, and Boiler & Machinery which is provided by Travelers Insurance Company.

Although fewer claims were taken during FY10, the total incurred for the year was greater at \$17,133,009.00 due to one catastrophic event occurring April 24, 2010. An EF-3 tornado caused damages estimated over \$9,000,000.00 to several locations in North Alabama including the Cordova Warehouse at Alabama State Docks and Albertville High School. The State Insurance Fund has excess insurance coverage which responds to occurrence claims exceeding \$3,500,000.00.



**Figure 1: State Docks, Cordova Warehouse**

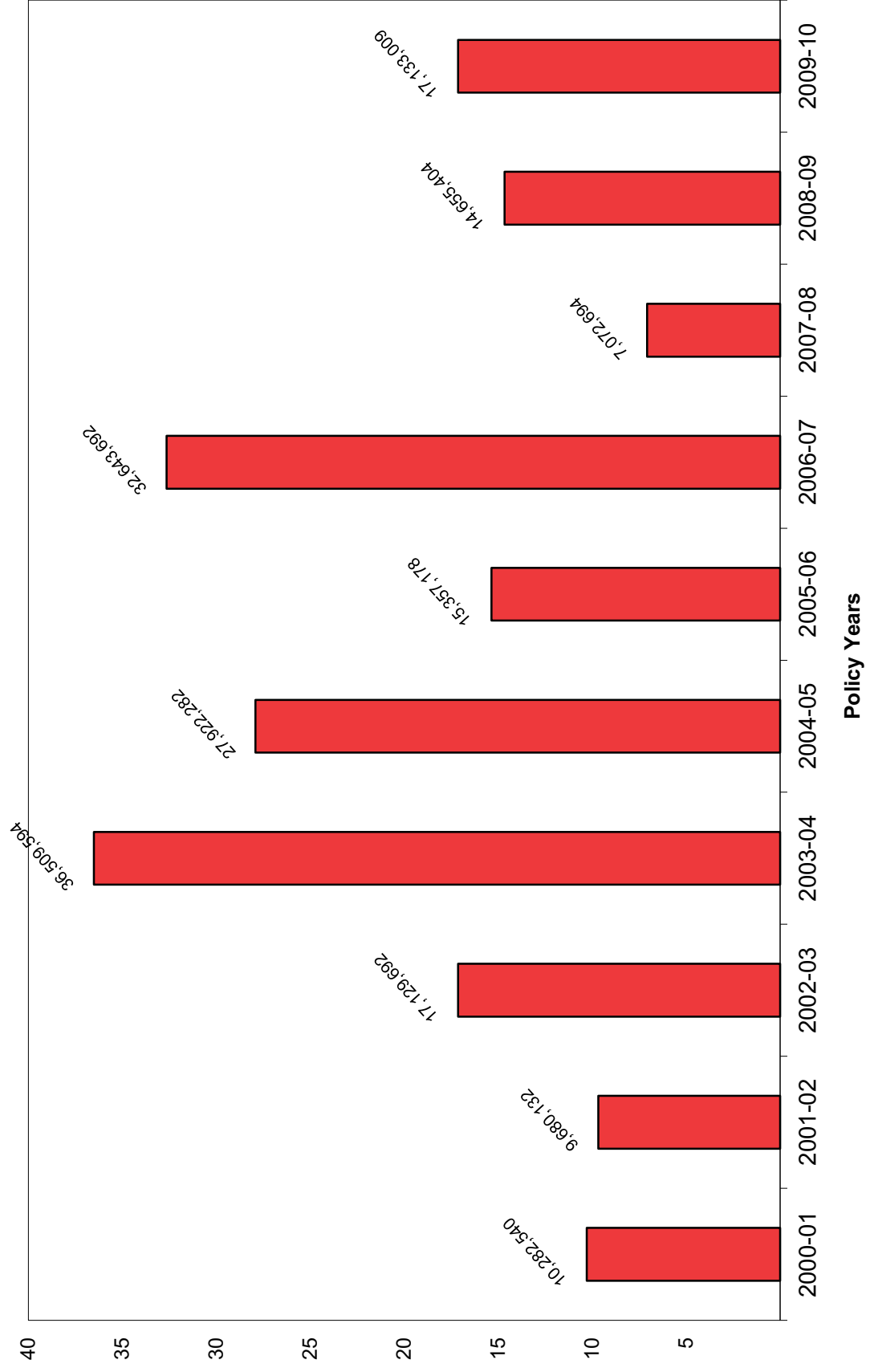
The SIF is on the right course and will continue its fundamental plan. We recognize the financial obligation arising from extraordinary growth in insured values. In 1995, we insured \$11.8 billion in values. Today, we insure over \$46 billion in values. This means our fund equity and financial structure must be adequate to meet the financial demands that are certain to occur in the future.

Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2010	46,587,656,569	1,730,246,082	3.71%
2009	44,857,410,487	2,889,032,251	6.44%
2008	41,968,378,236	9,654,273,107	23.00%
2007	32,314,105,129	3,085,136,998	9.55%
2006	29,228,968,131	2,413,818,467	8.26%
2005	26,815,149,664	1,042,030,042	3.89%
2004	25,773,119,622	1,273,757,518	4.94%
2003	24,499,362,104	2,641,099,820	10.78%

Property Claims Summary Table				
Incurred Losses as of September 30, 2010				
			Incurred Losses - FY 2009	
Perils	FY 2009	FY 2010	Amount	% of Total
Fire	26	29	\$ 2,132,148	12.44%
Lightning	280	304	\$ 1,432,299	8.36%
Wind	320	127	\$ 9,949,438	58.07%
Burglary	142	139	\$ 1,285,559	7.50%
Vandalism	30	15	\$ 73,176	0.43%
Hail	91	22	\$ 664,286	3.88%
Vehicle	11	7	\$ 9,713	0.06%
Water	53	66	\$ 694,055	4.05%
Freeze	6	17	\$ 519,740	3.03%
Other	31	21	\$ 372,595	2.17%
<b>Totals</b>	990	747	\$ 17,133,009	100%

Claims Summary					
	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Claims Handled	747	990	828	593	758
Outside Adjusted	421	618	479	343	393
Inside Adjusted	326	372	349	250	365
Average Claim Size	\$ 22,936	\$ 15,555	\$ 10,611	\$ 20,184*	\$ 21,720
*Removed Enterprise tornado for averaging purposes.					

# HISTORY OF PROPERTY LOSSES 2000–2010



## GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their acts and omissions in the performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. In the event a single occurrence, as declared by the Risk Manager, is later judicially determined to be more than one occurrence, the maximum liability of the GLTF is \$1.2 million. The GLTF does not cover the State of Alabama or its agencies; it covers employees who are sued individually and are at risk of having to pay damages from their personal assets.

The GLTF sets aside a monetary reserve for each covered claim in the amount of the ultimate expected loss. Defense of covered employees is conducted by the Office of the Attorney General, or by attorneys appointed by the Attorney General, in collaboration with the GLTF.

## EMPLOYEE AUTOMOBILE LIABILITY

The GLTF provides liability coverage for the operators of more than 8,000 state-owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, thousands of employees regularly or occasionally use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance limits as mandated by our State Legislature.

### Auto Exposure Table

Number of Vehicles Insured

Class	Description	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
001	Private Passenger	1,998	2,003	2,076	2,020	2,025
002	Pickups & Vans	3,710	3,705	3,677	3,697	3,531
003	Trucks & Tractors	1,512	1,539	1,505	1,541	1,464
004	Law Enforcement	1,146	1,080	978	909	1,054
005	Buses	367	376	388	429	398
006	Motorcycle	22	21	20	6	0
	Total Vehicles	8,755	8,724	8,644	8,602	8,472

## STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) pays medical costs for work-related injuries and compensates injured employees for resulting lost work time. This program is similar to the private sector workers' compensation programs.

In 2010:

- There was no increase in administration fees charged to self-funded agencies.
- Less than .5% of claims resulted in a formal hearing to address a claim dispute.
- Mediation was offered as an option in lieu of a formal hearing for resolution of claim disputes.
- Medical case management services were utilized to assist injured workers in coordination of medical treatment in order to facilitate optimal healing and early return to work.
- Subrogation recoveries exceeded \$119,298.00.
- A 24 hour emergency phone line was implemented for the convenience of State agencies operating outside normal business hours.

### Claims Frequency

	2010	2009	2008	2007
<b>Indemnity</b>	282	247	239	219
<b>Medical Only</b>	1,941	2,109	2,051	2,087
<b>Incident Only</b>	1,070	1,115	1,234	1,117
<b>Total # of Claims</b>	3,293	3,471	3,524	3,423

Indemnity claims are those resulting in payments for lost time from work. Medical claims are those resulting in medical costs but no time off work. Incident claims are those resulting in no medical attention.

## RISK MANAGEMENT SERVICES

Driver Training Courses for covered personnel are available to state agencies through DORM.

With the enactment of the Boiler & Pressure Law on February 5, 2004, mandatory boiler inspections must be performed, at a minimum of, every two years. The state charges a minimum inspection fee of \$60 per boiler, in addition to a fee for the certificate of compliance. As a benefit of your premium with Risk Management, we contract with Travelers Insurance Company to provide this valuable service free to you, which saves you the inspection fee.

A Boiler Operator Training Course for boiler operators and maintenance personnel is conducted at no cost for agencies which participate in the State Insurance Fund. The course focuses on proper maintenance and safe operation of pressurized equipment.

More than 5,000 boilers and other items of pressurized equipment were inspected during 2010. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdown, property damage and personal injury.



## THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (SEAP) provides services to 114 state agencies and departments covering 33,787 employees and their family members.

The Division of Risk Management has contracted with an external national vendor to provide our EAP services in order to expand and enhance the scope of the program. Our vendor is a preferred provider organization specializing in behavioral health care and comprised of high quality providers across the nation. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various problems. Our EAP plan provides for up to three sessions per year for each employee and their family members.

SEAP deals with issues such as supervisor/employee conflict, personal financial management, marital and family disruptions, drug and alcohol abuse, and emotional and mental stressors. We also provide services which include critical incident stress debriefing (CISD); supervisor and employee training; referral to community resources, online resources, and 24/7 clinician access.

In FY-10

- There were 573 total cases of treatment for a total of 1,315 counseling sessions.
- Females represented 60% of clients and males 40%.
- Family members of employees represented 22% and employees represented 78% of our total participation.
- Emotional stress related problems were the most frequent primary issue for clients (39%), followed by relational issues (19%), depressive disorders (17%), anxiety/panic issues (13%), and other issues (12%).
- 75% of participants were self-referred, 14% were supervisor referred, 10% were family recommended, and 1% was due to promotional material.
- 92% of participants were seen by a counselor, 6% by a psychiatrist, and 2% by a psychologist.
- 42% of participants were age 41-60, 27% were 31-40, and 16% were 21-30.
- We provided 27 training sessions covering a wide variety of topics for our employees, three CISD (Critical Incident Stress Debriefing) and grief support sessions, and participated in three health fair/fitness day events.



## THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)

The Alabama Equipment Maintenance Program (EMP) allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program. By replacing existing service agreements with this program, agencies will gain a programmatic solution that delivers significant cost savings<sup>1</sup>, enhanced equipment protection, the freedom to utilize the best service vendor for each and every maintenance action, program management tools and information, and achieve positive control over the financial and operational performance of their equipment maintenance portfolio.

Effective December 1, 2005, The Remi Group (TRG) assumed all administrative operations including payment for service events, management of the EMP, and decreasing the total state expenditures on equipment maintenance. Alabama state agencies can save 25% off vendor maintenance contracts.

The Remi Group's programs are backed by the full faith and credit of leading insurance providers and their financial standing is assured by years of successful operation, outstanding financial structure, and independent rating agencies such as A.M. Best.

<sup>1</sup> The 2010 savings were \$1,230,671.

**STATE INSURANCE FUND**  
**STATEMENT OF NET ASSETS**  
**UNAUDITED**  
As of September 30, 2010

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 1,279,309	\$ 653,656	\$ 7,996,608
Cash - Outside Bank Account	1,013,307	38,334,841	1,157,630
Cash in Transit	583	1,701	-
Investments (Fair Value)	15,833,694	8,621,292	2,009,041
Accounts Receivable	64,961	6,635	-
Interfund Vouchers Receivable	38,502	38,134	5,142
Advances to Other Funds	698,494	712,705	646,934
Accounts Receivable - Reinsurance Recoveries	-	-	-
Accrued Interest Receivable	68,447	91,837	182,915
Prepaid Insurance	8,544,000	8,188,807	7,725,000
<b>Total Current Assets</b>	<b>27,541,297</b>	<b>56,649,608</b>	<b>19,723,270</b>
<b>Noncurrent Assets</b>			
Investments (Fair Value)	55,386,054	32,259,379	25,209,623
Investments - Real Estate	10,251,008	5,128,119	5,870,256
Advances to Other Funds - LT	10,168,496	10,799,248	11,477,820
Due from Component Unit	-	-	36,533,000
Accounts Receivable - Reinsurance Recoveries - LT	-	-	6,132,092
Construction in Progress	5,138,953	2,424,250	-
Fixed Assets (Net)	162,168	179,974	192,479
<b>Total Noncurrent Assets</b>	<b>81,106,679</b>	<b>50,790,970</b>	<b>85,415,270</b>
<b>Total Assets</b>	<b>108,647,976</b>	<b>107,440,578</b>	<b>105,138,540</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Vouchers Payable	401,288	144,884	201,037
Unpaid Claims & Expenses	6,751,095	7,929,628	14,108,054
<b>Total Current Liabilities</b>	<b>7,152,383</b>	<b>8,074,512</b>	<b>14,309,091</b>
<b>Long-term Liabilities</b>			
Unpaid Claims & Expenses - LT	6,538,557	3,790,044	3,096,890
Estimated Recovery of Reserves	(3,781,067)	(227,457)	(10,686,476)
Claims Incurred But Not Reported	583,033	809,382	1,352,666
<b>Total Long-term Liabilities</b>	<b>3,340,523</b>	<b>4,371,969</b>	<b>(6,236,920)</b>
<b>Total Liabilities</b>	<b>10,492,906</b>	<b>12,446,481</b>	<b>8,072,171</b>
<b>NET ASSETS</b>			
Investment in Capital Assets	5,301,121	2,604,224	192,479
Reserved for Encumbrances	1,800,960	1,573,427	2,025,255
Unrestricted	91,052,989	90,816,446	94,848,635
<b>TOTAL NET ASSETS</b>	<b>\$ 98,155,070</b>	<b>\$ 94,994,097</b>	<b>\$ 97,066,369</b>

**STATE INSURANCE FUND**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**UNAUDITED**  
For the Year Ended September 30, 2010

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>OPERATING REVENUES</b>			
Earned Premiums	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049
Subrogation Recoveries	<u>-</u>	<u>-</u>	<u>162,982</u>
Total Operating Revenues	29,231,612	32,662,515	32,111,031
<b>OPERATING EXPENSES</b>			
Operation:			
Loss and Adjustment Expenses	10,568,726	16,436,935	(22,740,687)
Incurred But Not Reported Expense	(226,349)	(543,284)	344,707
Actuarial Services	65,305	84,475	15,576
Appraisal Services	265,085	525,570	619,960
Program Consultants	29,151	23,319	93,888
Reinsurance Expense	<u>16,803,212</u>	<u>17,021,507</u>	<u>16,582,458</u>
Total Operations	27,505,130	33,548,522	(5,084,098)
Administration:			
Personnel Cost	1,155,699	1,083,557	861,633
Employee Benefits	441,039	383,860	295,940
Travel - In State	50,511	52,493	22,697
Travel - Out of State	3,744	6,287	3,869
Repairs & Maintenance	2,206	1,524	1,788
Rentals & Leases	6,813	6,320	6,733
Utilities & Communication	23,543	24,879	20,449
Services	456,798	468,038	610,768
Supplies, Materials & Operating Expense	164,474	174,874	66,530
Transportation Equipment Operations	20,629	21,628	20,524
Noninventoriable Equipment	7,453	-	-
Depreciation Expense	<u>83,214</u>	<u>77,762</u>	<u>55,607</u>
Total Administration	2,416,123	2,301,222	1,966,538
<b>Total Operating Expenses</b>	29,921,253	35,849,744	(3,117,560)
<b>Operating Income (Loss)</b>	(689,641)	(3,187,229)	35,228,591
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	3,257,146	97,536	(442,905)
Other Income	899,721	1,496,452	1,376,226
Prior Year Refund	-	50,300	5,918
Investment Expenses	<u>(236,128)</u>	<u>(333,799)</u>	<u>(329,991)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	3,920,739	1,310,489	609,248
<b>Income (Loss) Before Contributions and Transfers</b>	3,231,098	(1,876,740)	35,837,839
Transfers Out - State Personnel	<u>(5,636)</u>	<u>(4,643)</u>	<u>(3,922)</u>
<b>Increase (Decrease) in Net Assets</b>	3,225,462	(1,881,383)	35,833,917
Total Net Assets, October 1, As Restated	<u>94,929,608</u>	<u>96,875,480</u>	<u>61,232,452</u>
<b>Total Net Assets, September 30</b>	<u>\$ 98,155,070</u>	<u>\$ 94,994,097</u>	<u>\$ 97,066,369</u>

## STATE INSURANCE FUND NOTES TO FINANCIAL STATEMENTS

The State Insurance Fund (SIF) was established in 1923 and is under the Code of Alabama 1975, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Ten percent of actual cash value, salvage value, is used for property that is normally uninsurable. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$10,000,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named wind storms, and a \$10,000,000 specific loss deductible for named wind storms. Excess insurance covers claims exceeding the deductible with a \$1,000,000,000 limit. Payments received in fiscal years 2010 and 2009 for settlements in excess of deductibles total \$2,273,975 and \$14,166,261 respectively.

The following table presents the changes in claims liabilities for the past two years:

	<b>September 30,</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 12,301,597	\$ 7,871,134
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	6,537,636	12,113,156
Increase (Decrease) in provision for insured events of prior years	<u>3,804,741</u>	<u>3,780,495</u>
Total incurred claims and adjustment expenses	10,342,377	15,893,651
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(6,310,069)	(2,980,429)
Claims and adjustment expenses attributable to insured events of prior years	<u>(6,242,287)</u>	<u>(8,482,759)</u>
Total payments	(12,552,356)	(11,463,188)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 10,091,618</u>	<u>\$ 12,301,597</u>

# STATE INSURANCE FUND INVESTMENT NOTES

	September 30,		<u>% Change</u>
	<u>2010</u>	<u>2009</u>	
<b>Investments</b>			
Money Market	\$ 12,834,090	\$ 8,621,292	48.9
Commercial Paper	2,999,603	-	100.0
Time Deposits	17,458,228	7,536,317	131.7
US Treasury Securities	6,584,050	494,361	1,231.8
US Agency Securities	8,722,518	9,696,815	(10.0)
State & Local Gov Securities	749,561	131,130	471.6
Mortgage Backed Securities	3,224,885	3,374,087	(4.4)
Domestic Corporate Stocks	13,893,832	8,087,083	71.8
Domestic Corporate Bonds	4,593,252	2,939,586	56.3
International Bonds	159,729	-	100.0
	<u>71,219,748</u>	<u>40,880,671</u>	74.2
Real Estate Investments	<u>10,251,008</u>	<u>5,128,119</u>	99.9
Total Investments	<u>\$ 81,470,756</u>	<u>\$ 46,008,790</u>	77.1
<b>Investment Income</b>			
Interest Income	\$ 1,061,877	\$ 1,017,907	4.3
Change in Fair Value of Investments	742,151	(50,925)	1,157.3
Gain(Loss) on Sale of Investments	650,655	(1,089,651)	159.7
Stock Dividends	309,357	203,678	51.9
Amortization/Depr Income	(449,047)	(742,137)	(39.5)
Rental Income	942,153	758,664	24.2
Total Investment Income	<u>\$ 3,257,146</u>	<u>\$ 97,536</u>	3,239.4

**STATE INSURANCE FUND REVENUE EXHIBIT  
RETURN ON EQUITY (ROE)**

<b>Fiscal Year</b>	<b>Fund Equity</b>	<b>Net Revenue</b>		<b>Underwriting Net Revenue</b>		<b>Investment Net Revenue</b>	
2010	98,155,070	3,225,462	3.3%	(695,277)	-0.7%	3,021,018	3.1%
2009	94,994,097	(1,881,383)	-2.0%	(3,191,872)	-3.3%	(236,263)	-0.2%
2008	97,066,369	35,833,917	37.1%	35,224,669	36.5%	(112,914)	-0.1%
2007	95,934,998	(15,385,426)	-17.0%	(23,827,475)	-26.3%	7,117,257	7.9%
2006	85,128,007	(14,296,962)	-16.4%	(20,822,082)	-23.8%	5,215,709	6.0%
2005	89,697,124	2,880,592	3.2%	(4,558,757)	-5.1%	6,597,855	7.4%
2004	89,671,432	5,619,706	6.4%	(4,022,841)	-4.6%	5,949,886	6.8%
2003	85,009,572	(5,169,830)	-5.9%	(8,424,388)	-9.7%	3,228,321	3.7%
2002	89,398,395	(4,339,111)	-4.8%	(3,484,064)	-3.9%	(798,802)	-0.9%
2001	91,074,862	273,054	0.3%	(4,825,718)	-5.3%	2,184,287	2.4%
<b>Average Return On Equity</b>		<b>-4.9%</b>		<b>-11.2%</b>		<b>4.7%</b>	

**STATE INSURANCE FUND LOSS EXPERIENCE  
BY FISCAL YEAR**

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>
Earned Premium	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167	\$ 22,892,071
Less Reinsurance Cost	16,803,212	17,021,507	16,582,458	15,066,930	11,097,719
<b>Net Premium</b>	<u>\$ 12,428,400</u>	<u>\$ 15,641,008</u>	<u>\$ 15,365,591</u>	<u>\$ 9,013,237</u>	<u>\$ 11,794,352</u>
Claims and Expenses Paid	\$ 12,552,356	\$ 11,463,188	\$ 15,945,572	\$ 26,232,909	\$ 29,920,695
Claims and Expenses Unpaid	(1,983,630)	4,973,747	(38,849,241)	5,827,009	1,682,262
Loss Incurred But Not Reported	<u>(226,349)</u>	<u>(543,284)</u>	<u>344,707</u>	<u>(803,521)</u>	<u>(424,750)</u>
<b>Net Losses</b>	<u>\$ 10,342,377</u>	<u>\$ 15,893,651</u>	<u>\$ (22,558,962)</u>	<u>\$ 31,256,397</u>	<u>\$ 31,178,207</u>
<b>Loss Ratio</b>	<b>83.2%</b>	<b>101.6%</b>	<b>-146.8%</b>	<b>346.8%</b>	<b>264.3%</b>

\*Loss Ratio = Net Losses divided by Net Premium

**GENERAL LIABILITY TRUST FUND**  
**STATEMENT OF NET ASSETS**  
 UNAUDITED  
 September 30, 2010

<b>ASSETS</b>	<b><u>FY 2010</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2008</u></b>
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 1,077,020	\$ 530,831	\$ 5,268,170
Cash - Outside Bank Account	3,883,662	1,149,928	-
Cash in Transit	-	16,262	-
Investments (Fair Value)	22,313,434	15,013,568	7,932,644
Interfund Vouchers Receivable	135	180	415
Accounts Receivable - Misc	21,875	-	16,162
Accounts Receivable - Reinsurance Recoveries	922,318	393,834	562,715
Accrued Interest Receivable	48,728	98,024	146,161
Prepaid Insurance	<u>2,029,293</u>	<u>2,144,396</u>	<u>1,963,674</u>
<b>Total Current Assets</b>	<b>30,296,465</b>	<b>19,347,023</b>	<b>15,889,941</b>
<b>Noncurrent Assets</b>			
Investments (Fair Value)	10,854,423	16,240,424	12,817,793
Accounts Receivable - Reinsurance Recoveries	<u>21,167</u>	<u>-</u>	<u>4,289,337</u>
<b>Total Noncurrent Assets</b>	<b>10,875,590</b>	<b>16,240,424</b>	<b>17,107,130</b>
<b>TOTAL ASSETS</b>	<b>41,172,055</b>	<b>35,587,447</b>	<b>32,997,071</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Vouchers Payable	40,222	47,140	194
Due To Funds	-	-	-
Unearned Premiums	-	-	-
Unpaid Claims & Expenses	<u>2,109,217</u>	<u>1,550,170</u>	<u>4,761,843</u>
<b>Total Current Liabilities</b>	<b>2,149,439</b>	<b>1,597,310</b>	<b>4,762,037</b>
<b>Long-term Liabilities</b>			
Unpaid Claims & Expenses - LT	8,214,600	7,148,996	6,060,528
Estimated Recovery of Reserves	(279,927)	(540,374)	(631,574)
Claims Incurred But Not Reported	<u>19,682,742</u>	<u>20,561,944</u>	<u>17,225,257</u>
<b>Total Long-term Liabilities</b>	<b>27,617,415</b>	<b>27,170,566</b>	<b>22,654,211</b>
<b>Total Liabilities</b>	<b>29,766,854</b>	<b>28,767,876</b>	<b>27,416,248</b>
<b>NET ASSETS</b>			
Reserve for Encumbrances	814,736	814,736	814,736
Unrestricted	<u>10,590,465</u>	<u>6,004,835</u>	<u>4,766,087</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 11,405,201</b>	<b>\$ 6,819,571</b>	<b>\$ 5,580,823</b>



**GENERAL LIABILITY TRUST FUND**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS**  
**UNAUDITED**  
For the Year Ended September 30, 2010

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>OPERATING REVENUES</b>			
Earned Premiums	\$ 13,286,552	\$ 13,452,191	\$ 13,537,260
<b>Total Operating Revenues</b>	<b>13,286,552</b>	<b>13,452,191</b>	<b>13,537,260</b>
<b>OPERATING EXPENSES</b>			
Operations:			
Loss and Adjustment Expenses	6,190,260	5,627,520	5,758,260
Incurred But Not Reported Expense	(879,202)	3,336,687	1,345,152
Actuarial Services	13,801	12,708	13,683
Program Consultants	4,165	3,331	16,237
Interest Expense	-	-	15,000
Reinsurance Expense	3,276,588	3,249,806	1,897,004
<b>Total Operations</b>	<b>8,605,612</b>	<b>12,230,052</b>	<b>9,045,336</b>
Administration:			
Personnel Costs	350,237	352,423	393,701
Employee Benefits	116,481	112,943	118,985
Travel - In State	-	450	363
Travel - Out of State	1,483	2,602	1,486
Repair & Maintenance	-	-	92
Rentals & Leases	3,261	3,357	3,269
Utilities & Communication	2,642	2,879	3,165
Services	113,122	160,514	214,029
Supplies, Materials & Operating Expense	33,092	56,567	45,140
Transportation Equipment Operations	-	-	-
<b>Total Administration</b>	<b>620,318</b>	<b>691,735</b>	<b>780,230</b>
<b>Total Operating Expenses</b>	<b>9,225,930</b>	<b>12,921,787</b>	<b>9,825,566</b>
<b>Operating Income (Loss)</b>	<b>4,060,622</b>	<b>530,404</b>	<b>3,711,694</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	478,624	754,184	1,315,627
Prior Year Refund	6,048	-	5,446
<b>Total Nonoperating Revenues (Expenses)</b>	<b>484,672</b>	<b>754,184</b>	<b>1,321,073</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>4,545,294</b>	<b>1,284,588</b>	<b>5,032,767</b>
Transfers Out - State Personnel	(1,540)	(1,639)	(1,569)
<b>Increase (Decrease) in Net Assets</b>	<b>4,543,754</b>	<b>1,282,949</b>	<b>5,031,198</b>
Total Net Assets, October 1, As Restated	6,861,447	5,536,622	549,625
<b>Total Net Assets, September 30</b>	<b>\$ 11,405,201</b>	<b>\$ 6,819,571</b>	<b>\$ 5,580,823</b>

## GENERAL LIABILITY TRUST FUND NOTES TO FINANCIAL STATEMENTS

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto Liability is fully re-insured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was not renewed in April 2002, so GLTF is currently without excess coverage. Payments received in fiscal year 2009 and 2010 for settlements in excess of deductibles for old claims (prior to April 2002) total \$2,833,932 and \$0, respectively.

The following table presents the changes in claims liabilities for the past two years:

	<b>September 30,</b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 28,720,736	\$ 27,416,054
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	668,363	4,968,668
Increase (Decrease) in provision for insured events of prior years	<u>4,642,695</u>	<u>3,995,539</u>
Total incurred claims and adjustment expenses	5,311,058	8,964,207
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(654,384)	(1,375,651)
Claims and adjustment expenses attributable to insured events of prior years	<u>(3,650,778)</u>	<u>(6,283,874)</u>
Total payments	(4,305,162)	(7,659,525)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 29,726,632</u>	<u>\$ 28,720,736</u>

**GENERAL LIABILITY TRUST FUND  
INVESTMENT NOTES**

	<b>September 30,</b>		<b><u>% Change</u></b>
	<b><u>2010</u></b>	<b><u>2009</u></b>	
<b>Investments</b>			
Money Market Funds	\$ 16,315,184	\$ 15,013,568	8.7
Commercial Paper	5,998,250	-	100.0
US Agency Securities	5,261,747	11,034,070	(52.3)
US Treasury Securities	5,361,205	5,116,557	4.8
Mortgage Backed Securiites	78,281	89,797	(12.8)
Domestic Corporate Bonds	153,190	-	100.0
Total Investments	<u>\$ 33,167,857</u>	<u>\$ 31,253,992</u>	5.8
 <b>Investment Income</b>			
Interest Income	\$ 359,712	\$ 541,660	(33.6)
Change in Fair Value of Investments	99,610	212,596	(53.1)
Gain(Loss)on Sale of Investments	19,302	(72)	100.4
Total Investment Income	<u>\$ 478,624</u>	<u>\$ 754,184</u>	(36.5)

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**STATEMENT OF NET ASSETS**  
 UNAUDITED  
 September 30, 2010

<b>ASSETS</b>	<b><u>FY 2010</u></b>	<b><u>FY 2009</u></b>	<b><u>FY 2008</u></b>
<b>Current Assets</b>			
Cash and Cash Equivalent	\$ 776,716	\$ 722,235	\$ 5,605,241
Cash - Outside Bank Account	712,156	78,253	-
Investments (Fair Value)	19,679,903	18,387,222	11,578,150
Interfund Vouchers Receivable	397,697	342,014	277,103
Due From Other Funds	-	-	-
Accrued Interest Receivable	24,868	47,311	127,241
Prepaid Expense	56,069	-	-
<b>Total Current Assets</b>	<b>21,647,409</b>	<b>19,577,035</b>	<b>17,587,735</b>
<b>Noncurrent Assets</b>			
Investments (Fair Value)	8,757,330	8,264,411	8,888,919
<b>Total Noncurrent Assets</b>	<b>8,757,330</b>	<b>8,264,411</b>	<b>8,888,919</b>
 <b>TOTAL ASSETS</b>	 <b>30,404,739</b>	 <b>27,841,446</b>	 <b>26,476,654</b>
 <b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Vouchers Payable	488,562	69,443	203,693
Self-Insured Deposits	120,000	120,000	120,000
Unpaid Claims & Expenses	1,753,115	2,264,124	2,941,642
<b>Total Current Liabilities</b>	<b>2,361,677</b>	<b>2,453,567</b>	<b>3,265,335</b>
<b>Long-term Liabilities</b>			
Unpaid Claims & Expenses - LT	7,986,415	8,517,421	6,547,526
Claims Incurred But Not Reported	9,724,977	7,605,059	7,702,557
<b>Total Long-term Liabilities</b>	<b>17,711,392</b>	<b>16,122,480</b>	<b>14,250,083</b>
<b>Total Liabilities</b>	<b>20,073,069</b>	<b>18,576,047</b>	<b>17,515,418</b>
 <b>NET ASSETS</b>			
Reserved for Encumbrances	1,910,096	1,510,675	1,053,162
Unrestricted	8,421,574	7,754,724	7,908,074
<b>TOTAL NET ASSETS</b>	<b>\$ 10,331,670</b>	<b>\$ 9,265,399</b>	<b>\$ 8,961,236</b>

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**UNAUDITED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>
<b>OPERATING REVENUES</b>			
Earned Premiums	\$ 9,172,759	\$ 7,717,034	\$ 7,587,499
Administrative Fees - Self Insured Agencies	315,152	316,015	308,530
Subrogation Recoveries	-	307,738	106,555
<b>Total Operating Revenues</b>	<b>9,487,911</b>	<b>8,340,787</b>	<b>8,002,584</b>
<b>OPERATING EXPENSES</b>			
Operations:			
Loss and Adjustment Expenses	3,420,887	5,529,553	9,684,702
Incurred But Not Reported Expense	2,119,918	(97,498)	1,536,267
Actuarial Services	37,179	52,436	41,054
Medical Services	470,239	704,383	970,597
Program Consultants	295,009	6,662	11,662
Other Non-Claim Operational Expenses	397	-	-
<b>Total Operations</b>	<b>6,343,629</b>	<b>6,195,536</b>	<b>12,244,282</b>
Administration:			
Personnel Costs	1,425,147	1,319,301	1,150,313
Employee Benefits	515,444	478,369	409,788
Travel - In State	3,154	3,323	682
Travel - Out of State	3,663	5,021	5,620
Repair & Maintenance	2,259	1,497	201
Rentals & Leases	5,666	6,315	6,417
Utilities & Communication	20,825	19,388	16,734
Services	210,440	331,334	254,549
Supplies, Materials & Operating Expense	105,249	76,150	75,335
Transportation Equipment Operations	1,766	1,063	2,216
<b>Total Administration</b>	<b>2,293,613</b>	<b>2,241,761</b>	<b>1,921,855</b>
<b>Total Operating Expenses</b>	<b>8,637,242</b>	<b>8,437,297</b>	<b>14,166,137</b>
<b>Operating Income (Loss)</b>	<b>850,669</b>	<b>(96,510)</b>	<b>(6,163,553)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	399,581	508,059	1,189,892
Reimbursement Not Otherwise Classified	-	96	-
Miscellaneous Fees	213	-	-
Interest on Loan	-	-	15,000
Prior Year Refund	-	-	1,200
<b>Total Nonoperating Revenues (Expenses)</b>	<b>399,794</b>	<b>508,155</b>	<b>1,206,092</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,250,463</b>	<b>411,645</b>	<b>(4,957,461)</b>
Transfers In	-	-	(4,110,184)
Transfers Out - State Personnel	(7,081)	(6,829)	(5,491)
<b>Increase (Decrease) in Net Assets</b>	<b>1,243,382</b>	<b>404,816</b>	<b>(9,073,136)</b>
Total Net Assets, October 1, As Restated	<b>9,088,288</b>	<b>8,860,583</b>	<b>18,034,372</b>
<b>Total Net Assets, September 30</b>	<b>\$ 10,331,670</b>	<b>\$ 9,265,399</b>	<b>\$ 8,961,236</b>

## STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

### NOTES TO FINANCIAL STATEMENTS

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The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

The following table presents the changes in claims liabilities for the past two years:

	September 30,	
	<u>2010</u>	<u>2009</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 18,386,604	\$ 17,191,725
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current year	2,471,539	633,556
Increase (Decrease) in provision for insured events of prior years	<u>3,164,594</u>	<u>4,490,761</u>
Total incurred claims and adjustment expenses	5,636,133	5,124,317
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(455,823)	(550,121)
Claims and adjustment expenses attributable to insured events of prior years	<u>(4,102,407)</u>	<u>(3,379,317)</u>
Total payments	(4,558,230)	(3,929,438)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 19,464,507</u>	<u>\$ 18,386,604</u>

The Department of Transportation finances its own risk for state employee injury compensation. This table does not include the changes in claims liabilities for the Department of Transportation.

**STATE EMPLOYEE INJURY COMPENSATION TRUST FUND  
INVESTMENT NOTES**

	<b>September 30,</b>		
	<u>2010</u>	<u>2009</u>	<u>% Change</u>
<b>Investments</b>			
Money Market Funds	\$ 16,680,903	\$ 18,387,222	(9.3)
Commercial Paper	2,999,000	-	100.0
US Agency Securities	4,225,747	6,012,770	(29.7)
US Treasury Securities Long Term	4,378,392	2,251,641	48.6
Domestic Corporate Bonds	153,191	-	100.0
Total Investments	<u>\$ 28,437,233</u>	<u>\$ 26,651,633</u>	6.7
<b>Investment Income</b>			
Interest Income	257,034	387,632	(33.7)
Change in Fair Value of Investments	132,547	119,561	9.8
Gain(Loss) on Sale of Investments	10,000	866	91.3
Total Investment Income	<u>\$ 399,581</u>	<u>\$ 508,059</u>	(21.4)

## NOTES





# STAFF

RISK MANAGER .....	Ben M. Spillers
ADMINISTRATIVE .....	Marilyn Tucker Mary Poe Laura Robinson
INFORMATION SYSTEMS.....	Edward Morgan Thomas Davis Sharon Henderson
LEGAL .....	Jerry Carpenter Hank Draughon
CLAIMS .....	Kim Huggins Leigh Warner Dorothy Roberts Hugh Gale Teresa Nobles
EMPLOYEE ASSISTANCE.....	Sam Boswell
LOSS CONTROL.....	Robert Smith Jack Pierce Michael McCoy Harper Pruett Chris Langston Josh Loy Robert Borth Elizabeth Fralish Rusty Taylor Sylvia Williams
UNDERWRITING .....	Dan Burgess Carl Walter Dale Whittle Casey Dunn Max Graham Heather Whorton Janice Carter
EMPLOYEE INJURY .....	Carol Singletary Sandra Landers Melanie Longpre Marie Fussell Tina Paulk Dorothy Tarver Ann Jackson Dorothy Kelly Georgia Ivey Jana Blake Paula Cole Rosanna McHargue Sirena Sheridan Tammy Sasser Pam Bailey Beverly McDonald Pamela Lovelace Terri Loving